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OFFICE OF THE DIRECTOR

Approp Budget

Action Memorandum No. **A-411**Date 18 Aug 64

TO : Deputy Director for Central Intelligence
Executive Director-Comptroller
Deputy Director for Intelligence
Deputy Director for Plans
Deputy Director for Support
Deputy Director for Science and Technology
Inspector General
General Counsel

SUBJECT : Economy Measures

REFERENCE:

1. On 22 July 1964 the President reviewed with the Cabinet the progress made thus far in improving efficiency and economy in the operations of the Federal Government, and he directed that further efforts toward these ends be made in the months ahead. The President made it unmistakably clear that it is the continuing policy of this administration to effect maximum results with minimum expenditures. His instructions very specifically were to "redouble efforts to reduce costs" through such measures as simplifying procedures, streamlining field elements, setting up productivity goals and imbuing contractors with this same spirit of cost consciousness. He directed that employment controls are to be tightened so that operations are conducted with the most restrictive staffing patterns possible. The President also made a special point of the need to eliminate nonessential publications.

2. Over the past year the Agency has actively engaged in an economy program. We can take pride in our accomplishments. I feel they have been responsive to the President's program. However, our progress must not lull us into complacency. Again I want to impress on each of you personally and, through you, all personnel of your directorates and offices that further real savings in manpower and dollars can and must be effected in CIA.

3. The manpower ceilings provided to you for FY 1965 and FY 1966 provide a first big step to this end. At the same time we must assure that a sound and imaginative substantive program is maintained in accomplishing

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the Agency's vital missions. Maintaining adequate program balance within and between directorates will always be difficult, but especially where retrenchments are required. We are all under the gun to assure that flexible systems are provided in our organizations which will provide, within established ceilings, sufficient maneuverability to meet changing priorities and to adjust to new tasks without constantly upsetting on-going activities. In this regard the Agency must consider programs in their entirety with each part evaluated in light of the whole. Our cost consciousness and manpower control is not a numbers game. It must reflect hard decisions and a positive, objective and non-parochial outlook on the part of all members of our management team. Activities which do not contribute directly to the accomplishment of the Agency's missions must be phased out and discontinued. At the same time we must hold other members of the Intelligence Community responsible for their part of the intelligence task and not establish unwarranted duplication of these efforts in CIA.

4. I have charged the DDCI and the Executive Director-Comptroller with spearheading the Agency economy effort and providing strengthened and improved centralized management review and control over our programs and projects and their related manpower and budgets. I will expect from them regular reports on the Agency's progress which I can study and report forward to the President. My belief in active management at the top echelons will cause some strain, but I know of no better way of producing results in line with the President's goals. Even as I congratulate you for recent achievements, I want to urge you on to greater progress in the knowledge that the dollar and personnel ceilings currently in effect have behind them my strong approval and my personal wish that no effort be spared to expedite their attainment.

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John A. McCone
Director

July 22, 1964

We all owe a debt to Secretary McNamara for his remarkably successful Cost Reduction program. The Defense Department buys more than three-quarters of all of the goods and services bought by the U. S. Government. Therefore, the success of our drive to improve management in the Federal Government will be largely determined by the performance of the Department of Defense. Secretary McNamara has not only done his part, but he has set a mark for the rest of us to shoot at.

First of all, I want to commend every man in this room for his contribution to the excellent results of our economy drive in the fiscal year just ended.

-- Our expenditures were \$97.7 billion, more than \$1 billion below the original 1964 budget estimate and a full \$600 million below our most recent estimate.

-- The deficit was \$8.3 billion, a full \$3.6 billion below the original budget estimate and \$500 million below our most recent estimate.

-- Federal civilian employment was 102,000 below the original 1964 budget estimate, 28,000 below our latest employment ceiling, 22,000 below the actual number of employees a year ago, and 16,000 below the actual number two years ago.

I know that Cabinet members and agency heads could not have achieved these results by waving a wand. I know that it took hard work, difficult decisions, late hours, and considerable anguish to accomplish what we did last year. I am grateful to all of you.

We are now in a new fiscal year. After the strenuous campaign we have just concluded, the natural tendency is to ease up a bit.

But we cannot afford to ease up. The success of this Administration will depend very largely on our ability to convince the American people, not that we are managing the affairs of Government as efficiently as any prior administration, but that we are running this Government more efficiently than any administration which has preceded us.

I covet a reputation for good management. I want to feel, and I want each of you to feel, that we are spending the taxpayers' money as if it were our own.

Only if the American people are really convinced of this will they approve the new programs which our Nation needs. If the Federal Government is to make its contribution to the achievement of the Great Society, it must first convince the American people that it is managed as efficiently as any private business. This is a high standard, but one I am determined to realize.

Cost reduction is not an end in itself unless every employee is imbued with cost-consciousness. The thing that impressed me most about my visit to the Pentagon yesterday was that those people were really excited about cost reduction. There has been a turn-around in attitudes -- management has made it clear that cost-consciousness is expected of every employee and has offered incentives to innovation. Defense employees all over the country are thinking about ways to do their jobs better and cheaper -- and the men on the line are the people most likely to come up with the useful suggestions.

I want to see this change in attitude throughout the Government.

Here are the specific things I want each of you to do:

1. I want each of you to redouble your efforts to reduce the costs of your operations. This means that you should --

- Study and adapt to your operations the techniques which have been used in the Defense Department.

- Simplify your procedures. (There is almost always a simpler and more economical way of doing any job).

- Streamline and tighten up your field organizations.

- Set up reasonable targets for productivity gains among your employees, and give them the help they need to meet these targets.

- Work with your contractors and suppliers to encourage greater cost-consciousness on their part.

- Honor and reward your employees for good management and cost reduction.

2. Tighten up your employment controls. We cannot allow our excellent record in the fiscal year just ended to be tarnished by an employment bulge in the early months of the new fiscal year which goes beyond the necessary seasonal increase. Within the next week or 10 days, I will be giving you new employment ceilings for the first quarter of this new fiscal year. I want you to assume now that these will be very restrictive ceilings, and I want you to start tomorrow to adjust your operations to the tightest possible staffing pattern.

3. We have made some progress in eliminating nonessential Government publications. I ask you to redouble your efforts to strip down your list of publications to those which are really important and necessary.

4. We have also made some progress in reducing the paperwork burden on businessmen and others by eliminating unnecessary Government reports. We are going to have to step up this effort. I would like each of you to talk to your subordinates and make clear to them that this is not a numbers game, but a deadly serious effort to hold to a minimum the reporting burden which the Government has to impose on the country.

5. Your quarterly reports on management improvement and employment control were submitted on July 10, and we are just beginning to analyze them. I would like to receive your next periodic reports on management improvement and employment control by September 20.

I want this administration to have a tight fist and an open mind -- a tight fist on money and an open mind to the needs of America.

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